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U S General Accounting Office

**AUDIT REPORT
TO
THE CONGRESS OF THE UNITED STATES**

**ADMINISTRATION OF INDIVIDUAL INDIAN MONEYS
BY
BUREAU OF INDIAN AFFAIRS.
DEPARTMENT OF THE INTERIOR**

NOVEMBER 1955

**BY
THE COMPTROLLER GENERAL OF THE UNITED STATES**

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REPORT ON AUDIT
OF
ADMINISTRATION OF INDIVIDUAL INDIAN MONEYS
BY
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR
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The General Accounting Office has made an audit of the Administration of Individual Indian Moneys (IIM) by the BUREAU OF INDIAN AFFAIRS, Department of the Interior. This audit was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). The examination was performed at selected locations under the jurisdiction of the nine area offices of the Bureau in the continental United States. Most of the field work was completed by November 1955.

GENERAL COMMENTS

One of the activities of the Bureau is the administration of moneys belonging to individual Indians and Indian groups. The funds are held in trust by the Bureau for the benefit of the Indians and administered in a manner similar to commercial banking operations. The trust funds are derived from the proceeds of timber sales, mining royalties, leasing of allotted Indian lands, distribution of tribal funds, and other income accruing to Indians under the jurisdiction of the Bureau. Collections made by the

Bureau on behalf of these Indians are deposited into the Treasury of the United States in deposit account 14X6039, Individual Indian Money. The records of the individual accounts are maintained at the agency and area offices having jurisdiction over the account owners.

The Bureau has bonded disbursing officers, called Indian Service Special Disbursing Agents (ISSDA) and Deputy Disbursing Agents, who disburse these moneys, usually under the supervision of an agency superintendent, for the benefit of the individual Indians and Indian groups. At June 30, 1955, the Bureau had 12 Indian Service Special Disbursing Agents and about 110 Deputy Disbursing Agents. These fiscal agents perform banking services for Indians and Indian groups involving the handling of about 66 million dollars a year in disbursements from about 88,000⁽¹⁾ IIM accounts. For fiscal year 1955, disbursements of individual Indian moneys totaled \$66,232,015 compared with total collections of \$66,814,324. Designated Bureau collectors make the collections and transmit them to the appropriate accounting offices for deposit.

Following is a summary of the general ledger asset and liability accounts maintained by the Bureau on the IIM activity as of June 30, 1955.

¹ Estimated by Bureau in 1953; latest figure available.

DEFICIENCIES IN ADMINISTRATION OF INDIVIDUAL INDIAN MONEYS

DISBURSEMENTS OF INDIVIDUAL INDIAN MONEYS NOT SUPPORTED ADEQUATELY

Although we noted improvement in the administration of individual Indian moneys at some of the agencies visited during the fiscal year 1955 audit, certain deficiencies still existed, especially the disbursement of these trust funds without adequate support.

Pertinent rules and regulations on the disbursement of funds from the individual Indian money accounts are stated in the Code of Federal Regulations (25 C.F.R. 221.3, 221.4, and 221.5) and the Indian Affairs Manual (42 IAM 603.03E(19)(b)). (See appendix C.) One of the primary provisions of the manual requires the Indian Service Special Disbursing Agents and their deputies to disburse these funds only on the basis of a properly executed and approved Form 5-139b, Individual Indian Accounts Application, or other document set forth in the manual, and to file such documentary evidence in the appropriate IIM account jacket to support the propriety and correctness of the payments made.

Following is a summary of the deficiencies noted in the disbursement of individual Indian moneys during the audit for fiscal year 1955. These deficiencies existed in varying degrees at most of the locations visited.

1. Disbursements of individual Indian moneys were not always supported by applications for withdrawal. In some cases disbursements were made in response to telephone or oral requests.
2. Applications for withdrawal of individual Indian money were not always prepared properly or approved by the superintendent or an official designated to act in his capacity.

3. Written determinations that supervision of an Indian's funds is not required, or that regularly recurring payments are authorized to be made to the account owner, were not always prepared or approved by the superintendents, or other personnel designated to act in the superintendent's capacity, and filed in the IIM account jacket.
4. Adequate means of identifying persons authorized to withdraw from individual Indian money accounts were usually not available. The Indian Affairs Manual does not require the agencies to maintain a signature file of account owners.

Examples of deficiencies in the disbursement of individual Indian moneys at certain of the agencies visited are as follows:

1. Anadarko Area

At the Kiowa Subagency of the Anadarko Area Office, our audit disclosed that 96 out of 923, or about 10 percent, of the disbursements examined were not supported by applications for withdrawal, form 5-139b, or other supporting documents in the applicable jacket file maintained for each account. Neither did the applicable jacket file contain a written determination by the superintendent as to the competency of the Indians involved to handle the amounts withdrawn without supervision, as required by the Indian Affairs Manual. About one third of the unsupported disbursements were made subsequent to the Area Director's Circular No. 106, dated February 23, 1955. This circular provided in part:

"No checks shall be drawn from accounts of Individual Indians, tribal groups or tribal association accounts unless a properly approved application on Form 5-139b or other authority is on file in the individual folder of the owner to support the disbursement. Applications on Form 5-139b serve as a written request for withdrawal of Individual Indian Money in the same manner as checks are used in commercial banks."

Out of the 62 individual Indian money accounts selected for audit, there were 164 applications for withdrawal which were not

slips, issues checks, records receipts and disbursements in the IIM accounts, and prepares all related reports. At the Uintah and Ouray Agency, the cash accounting clerk maintains the individual Indian money accounts, receives collections, prepares checks, records receipts and disbursements, prepares schedules of collections, prepares journal entries, and posts the entries to the subsidiary ledger. A similar situation existed at both the Crow and Northern Cheyenne Agencies.

The concentration of such duties in one individual does not provide an independent check on the accuracy and propriety of the performance of the functions.

Recommendation

To strengthen internal procedures for cash transactions, we recommend that the Commissioner require area finance officers to review existing practices at agencies and, where necessary, reassign duties to permit division of responsibilities among various employees. As a minimum, the duties of receiving and depositing cash collections should be performed by employees other than the clerks responsible for maintaining the IIM accounting records. If personnel shortages prevent the segregation of duties at agencies, periodic checks and reviews by supervisory and area personnel should be made.

STATEMENTS OF ACCOUNT NOT FURNISHED TO INDIANS SEMIANNUALLY

Many BIA agency offices do not furnish statements of accounts semiannually to the account owners as required by the Indian Affairs Manual (42 IAM 603.03E(19)(a)). Statements should be furnished to account owners at least twice yearly so that the account

owner will have fairly current information on the transactions in his account for comparison with his own records. Without such statements the account owner is usually not aware of the transactions and balance recorded in his account by the Bureau and is unable to detect discrepancies. In addition, the account owner is not given the opportunity to evaluate his financial position, which is contrary to the Bureau's policy of giving the Indian more responsibility in order to develop his ability to administer his own financial affairs.

Recommendation

To assist the Indian account owner in eventually assuming responsibility for his affairs and to provide him with a record of the transactions as they appear in the individual Indian money accounts for comparison with his own record so that he may detect and resolve any differences that may exist, we recommend that Area Directors take the necessary action to insure that statements be furnished in compliance with Bureau regulations to all owners of individual Indian money accounts.